Feedback on the initiative on VAT and the circular economy

To the European Commission, DG TAXUD (Ref. Ares(2026)8589104)

Circular Denmark, Rådet for Grøn Omstilling, Danmarks Naturfredningsforening, IDA Teknologivurdering and STOP Spild Lokalt welcome the opportunity to comment on the call for evidence and public consultation on VAT and the circular economy.

Together, we represent Danish municipalities and municipal waste companies as well as environmental, nature conservation and civil society organisations working for a circular economy.

We strongly support the initiative and its aim of changing VAT rules that discourage reuse, repair and donation. In particular, we would highlight two areas:

Embedded VAT puts second-hand inputs at a disadvantage

A business that buys used goods from private individuals or others who cannot charge VAT cannot deduct the VAT paid when the goods were first sold, while VAT on new inputs is fully deductible. The same problem arises for goods received free of charge, such as items handed in at municipal recycling centres. A margin scheme does not solve this when the purchase price is zero. Used goods should be treated on equal terms with new goods, and the rules must be simple enough for all reuse actors to use.

Destruction must not be cheaper than donation

Businesses can keep their VAT deduction when they destroy goods, while donating the same goods can trigger VAT. We support removing the deduction for goods that could be reused but are intentionally destroyed, combined with VAT relief for donations, regardless of whether the recipient is a charity, a social enterprise or a municipal reuse scheme.

We are happy to answer any questions and to contribute further to the impact assessment.

Kind regards

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